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Strategic Processes in Georgian Manufacturing Companies – Business-Level Strategy Perspective

Procesy strategiczne w gruzińskich firmach produkcyjnych – perspektywa strategii z poziomu biznesowego

Abstract: The purpose of this study is to examine the links between generic strategy types and organizational performance. Moreover, this paper will attempt to discover whether or not the emphasis on planning strategy implementation will enhance a company with superior performance. This paper studied 104 Georgian based manufacturing companies. A questionnaire was chosen as the survey instrument. The respondents selected were CEOs of the manufacturing companies being surveyed. Findings of this study are based on the results of the hypotheses tests which indicate that companies with clearly defined business strategies are performing better. The group of companies with integrated strategies had better performance than those concentrating on either of them. This contradicts the idea that it is not effective to use a combination of cost-leadership and differentiation strategy because of their exclusivity. There were no strong ties established between the strategic type and the planning of strategic implementation. Moreover, companies placing emphasis on planning strategy implementation have better performances than those “stuck in the middle”. The results of this study are particularly useful for practitioners, as it can provide managers with the information connected with strategy formulation and implementation processes. This study makes a contribution to the existing literature by exploring strategy processes within Georgian based manufacturing companies, and addressing the inconclusiveness of the results of generic strategies and organizational performance.

Keywords: strategies, strategy formulation, strategy implementation, manufacturing industry.

Streszczenie: Celem badań było zidentyfikowanie powiązań między głównymi rodzajami strategii oraz wydajnością organizacyjną. Badaniom poddano prezesów 104 gruzińskich firm produkcyjnych. Wyniki wskazują, że firmy posiadające zintegrowane strategie biznesowe osiągają lepsze wyniki. Jest to sprzeczne z koncepcją, że nie jest skuteczne stosowanie kombinacji strategii niskokosztowej oraz strategii różnicowania. Nie stwierdzono silnych powiązań między strategicznym typem a planowaniem strategicznej implementacji. Co więcej, firmy kładące nacisk na planowanie strategii implementacji osiągają lepszą wydajność niż te, które „utknęły w środku”. Wyniki badań są szczególnie przydatne dla praktyków zarządzania, gdyż dostarczają menedżerom informacji ułatwiających procesy formułowania i wdrażania strategii. Badanie to wnosi wkład do istniejącej literatury poprzez diagnozę procesów tworzenia strategii w gruzińskich przedsiębiorstwach produkcyjnych.

Słowa kluczowe: strategia, formułowanie strategii, wdrażanie strategii, przemysł wytwórczy

Introduction

Competitive approaches are normally seen as a set of actions of available resources that are usually utilized in the strategic process development. Therefore, managers pay close attention to them to increase organizational performan-

ce¹. The relationship between competitive approaches (low-cost leadership, differentiation and focus) and the organizational performance have been explored by many strategy researches², yet, there is no clear evidence that companies following one of the generic strategies are going to have superior performance. Although, most research in this area has been conducted in the manufacturing sector, the review of the literature on strategy processes and organizational performance pinpointed that there is no single empirical evidence involving Georgian based manufacturing organizations.

The chief aim of this study was to investigate Georgian based manufacturing organizations in the context of strategic processes and performance. On the one hand, the research looked at the procedures of strategy formulation and implementation within the manufacturing organizations, and checked whether or not the mentioned processes had an impact on the companies' overall performance.

Porter's typology of business strategies

The levels of strategy – Previous research on strategic management suggests that, business strategies are classified into three levels: corporate-level, business-level and functional-level strategies³. These three levels of strategies defer from each other by its nature. Whilst, corporate-level strategy aims to determine the philosophy of a company, whereas business-level strategy is focused on shaping the competitive advantage for it. As to the functional level strategy, getting the impulses from the business-level strategy is more concentrated on maximization of the company resources efficiency for the particular function⁴.

While, the broad nature of the corporate-level strategy deters it from being flexible to react to the changes in the industry/industries where the company operates. On the other hand, the functional-level strategy is busy with the activity

¹ M.E. Porter, *Competitive Strategy: Techniques for Analyzing Industries and Competitors*, The Free Press, New York, 1980, pp. 32-43, M.E. Porter, *Competitive Advantage: Creating and Sustaining Superior Performance*, The Free Press, New York, 1985, pp. 67-86, S.G. Bharadwaj, P.R. Varadarajan, and J. Fahy, "Sustainable competitive advantage in service industries: a conceptual model and research propositions", *Journal of Marketing*, vol. 57, October, 1993, pp. 83-99, C. Campbell-Hunt "What have we learned about generic competitive strategy? A meta-analysis", *Strategic Management Journal*, Vol. 21, February, 2000, pp. 127-154.

² G.G. Dess, and P.S. Davis "Porter's (1980) Generic strategies as determinants of strategic group membership and organizational performance", *Academy of Management Journal*, Vol. 27 No. 3, 1984, pp. 467-88, R.B. Robinson, Jr and J.A. Pearce, II, "Planned patterns of strategic behavior and their relationship to business-unit performance", *Strategic Management Journal*, Vol. 9, 1988, pp. 43-60, K. Kumar, R. Subramanian and C. Yauger, "Pure versus hybrid: performance implications of Porter's generic strategies", *Health Care Management Review*, vol. 22, no. 4, 1997, pp. 47-60, J. Fahy and , K. Smith "Strategic marketing and the resource base view of the firm", *Academy of Marketing Science Review*, Vol. 99 No. 10, 1999, pp. 55-67.

³ L.J. Bourgeois 'Strategy and environment: A conceptual integration'. *Academy of Management Review*, 5, 1980, pp. 25-39, J.H. Grant and W. R. King, *The Logic of Strategic Planning*. Boston: Little Brown and Co. 1982, pp. 33-41.

⁴ D. Beard & G. Dess, "Corporate-Level Strategy, Business-Level Strategy, and Firm Performance", *The Academy of Management Journal*, vol. 24, no. 4, 1981, pp. 663-688, R.P. Rumelt *Strategy, Structure, and Economic Performance*. Boston: Harvard Business School Press, 1974, pp. 75-86, D. Schendel and C.W. Hofer *Strategic Management: A new View of Business Policy and Planning*. Boston: Little Brown, 1979, pp. 82-94.

integration on the lower level. Surely, the majority of the research studies are focused on business-level strategy⁵. Business-level strategy is mainly for obtaining and retaining an advantage in the competitive environment. If the company wants to be successful in the market, it should always generate more profit than its rivals. This task is achievable through a well-defined and executed business-level strategy⁶.

Not surprisingly, many strategy scholars have written extensively about business-level typologies. However, the most well-known and widely acceptable is that of Porter's generic strategies: low-cost leadership, differentiation and focus.

Porter's (1980) Generic strategies. Various types of organizational strategies have been identified over the past years⁷. However, Porter's generic strategies still remain the most prevailing in strategic management literature⁸.

Porter's (1980) the generic of low-cost leadership, differentiation and focus strategies or a combination of those are generally adopted by business organizations for obtaining competitive advantage nationally and internationally⁹ and those strategies are applicable to all industries in the majority of nations¹⁰. Porter¹¹ asserts, that a company should choose from the generic strategies which to concentrate on in order to gain long-term profitability, rather than end up being "stuck in the middle". According to Porter (1985), a company will perform its best by choosing one of these strategies on which to focus and by doing so it also will be protected from five competitive forces: supplier power, buyer power, threats from new entrants, threats from substitutes and competitive rivalry.

Cost Leadership - Low-cost leadership strategy demands such activities and moves from a company that involves procedures of maintaining low costs compare to its competitors¹². This type of strategy can be achieved by termina-

⁵ L.J. Bourgeois, Strategy and environment: A conceptual integration, *Academy of Management Review*, 5, 1980, pp. 25-39, R. P. Rumelt Strategy, Structure, and Economic Performance. Boston: Harvard Business School Press, 1974, pp. 75-86.

⁶ S. Jofre, Strategic Management: The Theory and Practice of Strategy in (Business) Organizations, Technical University of Denmark, 2011.

⁷ R.E. Miles and C.C. Snow, Organizational Strategy, Structure, and Process, McGraw-Hill, New York, 1978, pp. 51-65, J. Chrisman, C. Hofer, and W. Bolton, "Toward a system for classifying business strategies", *Academy of Management Review*, Vol. 13, 1988, pp. 413-428, M.E. Porter, *Competitive Strategy: Techniques for Analyzing Industries and Competitors*, The Free Press, New York, 1980, pp. 32-43.

⁸ A. Miller, Strategic Management, 3rd ed., Irwin McGraw-Hill, New York, 1998, pp. 236-252, A. Thompson, and A. Strickland, *Crafting and Implementing Strategy*, Irwin McGraw-Hill, New York, 1998, pp. 45-64, L. Kim, and Y. Lim, "Environment, generic strategies, and performance in a rapidly developing country: a taxonomic approach", *Academy of Management Journal*, Vol. 31, pp. 1988, 802-27, A. Miller and G. Dess, "Assessing Porter's (1980) model in terms of its generalizability, accuracy, and simplicity", *Journal of Management Studies*, Vol. 30, 1993, pp. 553-585.

⁹ S. Davidson, "Seizing the competitive advantage", *Community Banker*, Vol. 10 No. 8, 2001, pp. 32-44.

¹⁰ S. Liff, J. He, and F. Steward, "Technology content and competitive advantage: strategic analysis on the steel processing and watch manufacturing sectors in the People's Republic of China", *International Journal of Technology Management*, Vol. 8 Nos 3-5, 1993, pp. 309-32, C. Campbell-Hunt, "What have we learned about generic competitive strategy? A meta-analysis", *Strategic Management Journal*, Vol. 21, February, 2000, pp. 127-154.

¹¹ M.E. Porter, *Competitive Advantage: Creating and Sustaining Superior Performance*, The Free Press, New York, 1985, (1985), pp. 67-86.

¹² M.A. Hitt, R.D. Ireland & R.E. Hoskisson, *Strategic Management Competitiveness and Globalisation*, (7 ed.). Ohio: Thomson South-Western, (2007).

ting any activity having no cost advantage¹³. Having a large market share is an essential for a low-cost leadership strategy adopter¹⁴, additionally, there are various numbers of possibilities to achieve a low-cost leadership strategy, namely: mass production, mass distribution, economies of scale, technology, product design, input cost, capacity utilization of resources, and access to raw materials¹⁵.

Helms¹⁶ states, that there is no threat for firms to lose revenue by adopting a low-cost leadership strategy, because lower prices are reflected in higher demands. Hence, it takes a firm to have a superior market share. However, a low cost leadership strategy is not free from disadvantages. According to Cross¹⁷ it spawns very weak ties between a firm and its customers.

Differentiation - By focusing its efforts on producing a product or service different from the competitor and emphasizing its uniqueness a firm adopts a differentiation strategy¹⁸.

A differentiation strategy is to satisfy customer needs by adjusting a product or service to their specifications. By tailoring it specifically for a particular group of customers the company charges them a premium price in order to capture the market share¹⁹.

There are some obvious steps in building a differentiation strategy²⁰. Factors including: market sector quality, firm size, the image, graphical reach, involvement in client organizations, product, delivery system, and the marketing approach have been suggested to differentiate a firm²¹. Also, a firm needs to build customer loyalty via a communication system as the customer's perception of the company is significantly strong²².

¹³ C. Malburg, Competing on costs, Industry Week, Vol. 249 No. 17, (2000), p. 31.

¹⁴ L. Hyatt, "A simple guide to strategy", Nursing Homes, Vol. 50 No. 1, (2001), pp. 12-31.

¹⁵ C. Malburg, "Competing on costs", Industry Week, Vol. 249 No. 17, (2000), p. 31, S. Venu, "India: competitive advantage: alternative scenarios", Businessline, Vol. 12, (2001), p. 1., S. Davidson, "Seizing the competitive advantage", Community Banker, Vol. 10 No. 8, (2001), pp. 32-43.

¹⁶ M.M., Helms, D. Clay and W. Peter. "Competitive strategies and business performance: evidence.

¹⁷ L. Cross (1999), "Strategy drives marketing success", Graphic Arts Monthly, Vol. 71 No. 2, (1997), p. 96.

¹⁸ L. Hyatt, "A simple guide to strategy", Nursing Homes, Vol. 50 No. 1, (2001), pp. 12-31., C. Bauer and J. Colgan "Planning for electronic commerce strategy: an explanatory study from the financial services sector", Logistics Information Management, Vol. 14 Nos 1/2, (2001), pp. 24-32., S. Hlavacka, B. Ljuba, R. Viera and W. Robert (2001), "Performance implications of Porter's generic strategies in Slovak hospitals", Journal of Management in Medicine, Vol. 15 No. 1, pp. 44-66, L. Cross, "Strategy drives marketing success", Graphic Arts Monthly, Vol. 71 No. 2, (1999), p. 96.

¹⁹ Porter, M.E., Competitive Advantage: Creating and Sustaining Superior Performance, The Free Press, New York, 1985, pp. 67-86, S. Hlavacka, B. Ljuba, R. Viera, and W. Robert, "Performance implications of Porter's generic strategies in Slovak hospitals", Journal of Management in Medicine, Vol. 15 No. 1, (2001), pp. 44-66, Cross, L. "Strategy drives marketing success", Graphic Arts Monthly, Vol. 71 No. 2, (1999), p. 96.

²⁰ L. McCracken, "Differentiation: win new business with less effort", Principal's Report, Vol. 2 No. 4, (2002), p. 1., T. Reilly, "Be a champion of the solution", Industrial Distribution, Vol. 91 No. 5, (2002), p. 62., A. Berthoff, "Differentiation II", Computer Dealer News., Vol. 18 No. 2, (2002), p. 20, R. Rajecki, "What's your brand", Contracting Business, Vol. 59 No. 3, (2002), p. 40., R. Tuminello "The psychology of client selection", Northwest Construction, Vol. 5 No. 2, (2002), p. 14., J. Surowiecki, "The return of Michael Porter", Fortune, Vol. 139 No. 2, (1999), pp. 135-148.

²¹ L. McCracken, "Differentiation: win new business with less effort", Principal's Report, Vol. 2 No. 4, (2002), p. 1. S. Davidson (2001), "Seizing the competitive advantage", Community Banker, Vol. 10 No. 8, pp. 32-44.

²² A. Berthoff, "Differentiation II", Computer Dealer News., Vol. 18 No. 2, p. 20., M. Troy (2002), "Below the surface lies a discount core", DSN Retailing Today, Vol. 41 No. 7, (2002), p. 57.

Companies willing to adopt differentiation strategy are suggested to differentiate themselves in the following concepts:

- Being creative when composing the company's portfolio²³
- Offering something the competitor does not or cannot offer²⁴
- Providing e-commerce
- Making access to company information and products both quick and easy²⁵
- Training employees with in-depth product and service knowledge²⁶
- Offering improved or innovative products²⁷
- Emphasizing the company's state-of-the-art technology, quality service, and unique Products/services²⁸
- Using photos and renderings in brochure²⁹.
- Selecting products and services for which there is a strong local need³⁰.

Focus - A company adopting the focus strategy mainly targets a specific segment for operation³¹. These types of firms are aiming at the markets which are not attractive for larger companies or are overlooked by others. Firms use focus-based strategies but only in conjunction with differentiation or low-cost leadership generic strategies. But, focus strategies are most effective when consumers have distinct preferences and when the niche has not been pursued by rival firms³².

Generic Strategy Hybrids - A company can also take a step towards combining the previously mentioned strategies. Firms tend to have focus differentiation or focused low-cost leadership strategies as is shown in table 1. A combination of cost-leadership and differentiation strategy is highly debated because of their exclusivity³³. Nevertheless, there is some empirical evidence

²³ R. Tuminello, "The psychology of client selection", Northwest Construction, Vol. 5 No. 2, (2002), p. 14.

²⁴ R. Rajeci, "What's your brand", Contracting Business, Vol. 59 No. 3, (2002), p. 40.

²⁵ S. Chakravarthy, "Business line: e-strategy: different strokes", Businessline, October 4. (2000)

²⁶ W.P. Darrow, B. Algin and D.H. King, "David vs Goliath in the hardware industry: generic strategies and critical success factors as revealed by business practice", The Mid-Atlantic Journal of Business, Vol. 37 Nos 2/3, (2001), pp. 97-109.

²⁷ M.M. Helms, D. Clay, and W. Peter, "Competitive strategies and business performance: evidence from the adhesives and sealants industry", Management Decision, Vol. 35 No. 9, (1997), pp. 689-703.

²⁸ S. Hlavacka, B. Ljuba, R. Viera, and W. Robert, "Performance implications of Porter's generic strategies in Slovak hospitals", Journal of Management in Medicine, Vol. 15 No. 1, (2001), pp. 44-66.

²⁹ L. McCracken, "Differentiation: win new business with less effort", Principal's Report, Vol. 2 No. 4, (2002), p. 1.

³⁰ W.P. Darrow, B. Algin, and D.H. King, "David vs Goliath in the hardware industry: generic strategies and critical success factors as revealed by business practice", The Mid-Atlantic Journal of Business, Vol. 37 Nos 2/3, (2001), pp. 97-109.

³¹ S., Davidson, "Seizing the competitive advantage", Community Banker, Vol. 10 No. 8, 2001, pp. 32-4., Bauer, C. and Colgan, J. (2001), "Planning for electronic commerce strategy: an explanatory study from the financial services sector", Logistics Information Management, Vol. 14 Nos 1/2, pp. 24-32., S. Hlavacka, B., Ljuba, R. Viera, and W. Robert, "Performance implications of Porter's generic strategies in Slovak hospitals", Journal of Management in Medicine, Vol. 15 No. 1, (2001), pp. 44-66, L. Hyatt, "A simple guide to strategy", Nursing Homes, Vol. 50 No. 1, (2001), pp. 12-31.

³² F. David, Strategic Management Concepts and Cases, Prentice-Hall, Englewood Cliffs, NJ. (2000).

³³ M.M. Helms, D. Clay and W. Peter, "Competitive strategies and business performance: evidence from the adhesives and sealants industry", Management Decision, Vol. 35 No. 9, (1997), pp. 689-703.

approving the aforementioned³⁴. However, the debate about whether or not low-cost leadership and differentiation strategies can be used in combination is still maintained in the literature.

Table 1. Porter's generic strategies

		Competitive advantage	
Strategic target		Uniqueness perceived by the customer	Low cost position
	Industry wide	Differentiation	Low cost leadership
	Particular segment	Focus	

Source: Porter (1980).

Strategy and Performance - There are many strategy scholars who have been conducting researches on strategy processes and its links with organizational performance³⁵. Some of them³⁶ proved the positive influence of strategic proces-

³⁴ A. Gupta, "A stakeholder analysis approach for interorganizational systems", *Industrial Management and Stat Systems*, Vol. 95 No. 6, (1995), pp. 3-7., W.K. Hall, "Survival in a hostile environment", in Hamermesh, R.G. (Ed.), *Strategic Management*, Wiley, New York, NY, (1983), pp. 151-169., J.W. Slocum Jr, M. McGill and D.T. Lei, "The new learning strategy: anytime, anything, anywhere", *Organizational Dynamics*, Vol. 23 No. 2, (1994), pp. 33-47., S. Hlavacka, B. Ljuba, R. Viera, and W. Robert, "Performance implications of Porter's generic strategies in Slovak hospitals", *Journal of Management in Medicine*, Vol. 15 No. 1, (2001), pp. 44-66.

³⁵ D.N. Burt, 'Planning and Performance in Australian Retailing'. *Long Range Planning*, 11(3), (1978), pp.62-66., H.E. Klein, *Growth, Profit and Long Range Planning in Banks*. Ann Arbor, Mich.: University of Michigan Press., (1979). D. Wood Jr. R. & R.L. LaForge, 'The Impact of Comprehensive Planning on Financial Performance'. *Academy of Management Journal*, 22(3), (1979), p. 516-5, P.H., Grinyer, M. Yasai-Ardekani & S. Al-Bazzaz, 'Strategy, Structure, the Environment, and Financial Performance in 48 United Kingdom Companies', *Academy of Management Journal*, 23(2), (1980), pp.193-211, R.T. Lenz, 'Environment, Strategy, Organization Structure and Performance: Patterns in One Industry'. *Strategic Management Journal*, 1(3), (1980), pp. 209-221, J. Kargar, 'Strategic Planning System Characteristics and Planning Effectiveness in Small Mature Firms'. *The Mid-Atlantic Journal of Business*, 32(1), (1996), pp. 19-32, P.B. Cragg & M. King, 'Organizational Characteristics and Small Firms' Performance Revisited'. *Entrepreneurship: Theory & Practice*, 13(2), (1988), pp. 48-53., H.E. Klein, 'The Impact of Planning on Growth and Profit'. *Journal of Bank Research*, 33(2), (1981). pp. 105-109., R. Robinson Jr. and J.A. Pearce II, 'The Impact of Formalized Strategic Planning on Financial Performance in Small Organizations'. *Strategic Management Journal*, 4(3), (1983), pp. 197-207., S. Kukalis, 'Determinants of Strategic Planning Systems in Large Organizations: A Contingency Approach'. *Journal of Management Studies*, 28(2), (1991), pp. 143-156, C.H. Matthews & S.G. Scott, 'Uncertainty and Planning in Small and Entrepreneurial Firms: An Empirical Assessment'. *Journal of Small Business Management*, 33(4), (1995), pp. 34, C.B. Shrader, T.I. Chacko, P. Herrman, & C. Mulford, 'Planning and Firm Performance: Effects of Multiple Planning Activities and Technology Policy'. *International Journal of Management and Decision Making*, 5(2/3), (2004), pp. 171-179.

³⁶ D.N. Burt, 'Planning and Performance in Australian Retailing'. *Long Range Planning*, 11(3), (1978), pp.62-66. D.R. Wood Jr. & R.L. LaForge, 'The Impact of Comprehensive Planning on Financial Performance'. *Academy of Management Journal*, 22(3), (1979), pp. 516-525, R.T. Lenz, 'Environment, Strategy, Organization Structure and Performance: Patterns in One Industry'. *Strategic Management Journal*, 1(3), (1980), pp. 209-222, H.E. Klein, 'The Impact of Planning on Growth and Profit'. *Journal of Bank Research*, 33(2), (1981), pp. 105-109., R.B. Robinson Jr. and J.A. Pearce II, 'The Impact of Formalized Strategic Planning on Financial Performance in Small Organizations'. *Strategic Management Journal*, 4(3), (1983), pp. 197-207., S. Kukalis, 'Determinants of Strategic Planning Systems in Large Organizations: A Contingency Approach'. *Journal of Management Studies*, 28(2), (1991), pp. 143-154, C.B. Shrader, T.I., Chacko, P. Herrman, & C. Mulford, 'Planning and Firm Performance: Effects of Multiple Plan-

ses on organizational performance. Whereas, other is found insignificant³⁷ or even having no impact at all³⁸.

Additionally, some researches purely supported Porter's³⁹ generic strategies employed by firms individually⁴⁰.

Dess and Davis⁴¹ concluded that organizations adopting one of the strategies perform better than stuck-in-the-middle companies. Also, Karnani⁴² research discovered that organizations which adopted either a cost-related or differentiation strategy were able to increase their market share and profitability.

Ross⁴³ supported two focus strategies, low-cost and differentiation – towards distinct needs in terms of cost in a narrow target market and the other at distinct customization requirements in a narrow target market.

However, there is some empirical evidence that the combination of low-cost leadership and differentiation strategies result in higher organizational indicators⁴⁴. Cronshaw found that Sainsbury's in the U.K. uses both cost-related and differentiation strategies, not to mention that they are able to perform well in the marketplace by using integrated strategy.

Strategy Implementation and Performance - Although there is significant theoretical and or empirical literature available on strategic processes, its implementation process has not yet been studied widely enough. According to Noble and Mokwa⁴⁵ strategy implementation is the most important link between a strategy formulation and a firm's performance. Nutt has conducted research studying on both the U.S. and Canadian organizations. He came to the conclusion that

ning Activities and Technology Policy'. *International Journal of Management and Decision Making*, 5(2/3), (2004), pp. 171-179.

³⁷ C.H. Matthews, & S.G. Scott, 'Uncertainty and Planning in Small and Entrepreneurial Firms: An Empirical Assessment'. *Journal of Small Business Management*, 33(4), (1995), pp. 34. J. Kargar, 'Strategic Planning System Characteristics and Planning Effectiveness in Small Mature Firms'. *The Mid-Atlantic Journal of Business*, 32(1), (1996), pp. 19-31.

³⁸ H.E. Klein, 'Growth, Profit and Long Range Planning in Banks. Ann Arbor, Mich.: University of Michigan Press., (1979). P.H., Grinyer, M. Yasai-Ardekani, & S. Al-Bazzaz, 'Strategy, Structure, the Environment, and Financial Performance in 48 United Kingdom Companies', *Academy of Management Journal*, 23 (2), (1980), pp. 193-221, P.B. Cragg, & M. King, 'Organizational Characteristics and Small Firms' Performance Revisited'. *Entrepreneurship: Theory & Practice*, 13(2), (1988), pp. 48-53.

³⁹ M.E. Porter, *Competitive Strategy: Techniques for Analyzing Industries and Competitors*, The Free Press, New York, 1980, pp. 32-43, M.E., Porter, *Competitive Advantage: Creating and Sustaining Superior Performance*, The Free Press, New York, 1985, pp. 67-86.

⁴⁰ G.G. Dess, and P.S. Davis, "Porter's (1980) Generic strategies as determinants of strategic group membership and organizational performance", *Academy of Management Journal*, Vol. 27 No. 3, (1984), pp. 467-488., A. Karnani, 'Generic competitive strategies - An analytical approach'. *Strategic Management Journal*, 5(4), (1984), pp. 367-38. B. Parker and M.M. Helms, 'Generic strategies and firm performance in a declining industry'. *Management international Review*, Vol. 32(1), (1992), pp. 2.

⁴¹ G.G. Dess, and P.S. Davis, "Porter's (1980) Generic strategies as determinants of strategic group membership and organizational performance", *Academy of Management Journal*, Vol. 27 No. 3, (1984), pp. 467-88.

⁴² A. Karnani, 'Generic competitive strategies - An analytical approach'. *Strategic Management Journal*, 5(4), (1984), pp. 367-382.

⁴³ D.N. Ross, "Culture as a context for multinational business: a framework for assessing the strategy-culture 'fit'", *Multinational Business Review*, Vol. 7 No. 1, (1999), pp. 13-9.

⁴⁴ M. Cronshaw, J. Davis, and J. Kay, 'On Being Stuck in the Middle or Good Food Costs Less at Sainsbury's'. *British Journal of Management*, 5 (1), (1994), pp.19-32.

⁴⁵ C.H. Noble, & M.P. Mokwa, *Implementing Marketing Strategies: Developing and Testing a Managerial Theory*. *Journal of Marketing*, 63(4), (1999), pp. 57-73.

not even half of these organizations have fulfilled their goals because of the mistakes in the implementation process⁴⁶.

Hickson⁴⁷ identified eight influential factors on the strategy implementation process and classified them into two groups. The first group factors are based on experience and include: acceptability, resourcing, familiarity and specificity. The second group factors are based on readiness and include: structural facilitation, priority and receptivity. According to the authors, companies have only two options in successfully implementing the strategy. One is a planned option and the other is a prioritized option. Adopting either of the aforementioned approaches in the process of strategy implementation will make a company's results better, but Hickson, based on their research findings, has concluded that those companies choosing to employ an integrated approach have better results in their performances.

Performance Measures - The majority of studies use a variety of measures, such as non-financial (success) or financial. Financial measures comprise such indicators as: profit⁴⁸, turnover⁴⁹, return on investment⁵⁰, return on capital employed⁵¹ and inventory turnover⁵². Non-financial measures include innovation⁵³ and market standing⁵⁴.

The measures in the success of a firm's performance generally include the bottom-line, and financial indicators such as sales, profits, cash flow, return on equity, and growth. These factors are important to determine how a firm compares with its industry competitors when assessing a firm's performance⁵⁵. With the multitude of competitive environments faced by firms in differing industries, knowing only absolute financial numbers such as sales, profits, and or cash flow is not very illuminating unless viewed in the context of how well the firm is doing compared to their competition. Therefore, it is important to use an industry com-

⁴⁶ P.C. Nutt, 'Surprising but true: Half the decisions in organizations fail'. *Academy of Management Executive*, 13(4), (1999), pp. 75-90.

⁴⁷ D.J. Hickson, S. J. Miller & D.C. Wilson, 'Planned or Prioritized? Two Options in Managing the Implementation of Strategic Decisions'. *Journal of Management Studies*, 40(7), (2003), pp.1803-1836.

⁴⁸ J. Saunders and V. Wong, "In search of excellence in the UK", *Journal of Marketing Management*, Vol. 1, (1985), pp.119-137., G.I. Hooley and J.E. Lynch, "Marketing lesson's from the UK's high-flying companies", *Journal of Marketing Management*, Vol. 1, (1985), pp. 65-74., M.J. Baker, C.D. Black and S. Hart, "The competitiveness of British industry: what really makes the difference?", *European Journal of Marketing*, Vol. 22 No. 2, (1988), pp. 70-85.

⁴⁹ G.L. Frazier and R.D. Howell, "Business definition and performance", *Journal of Marketing*, Vol. 47, (1983), pp. 59-67.

⁵⁰ G.I. Hooley and J.E. Lynch, "Marketing lesson's from the UK's high-flying companies", *Journal of Marketing Management*, Vol. 1, (1985), pp. 65-74.

⁵¹ M.J. Baker, C.D. Black and S. Hart, "The competitiveness of British industry: what really makes the difference?", *European Journal of Marketing*, Vol. 22 No. 2, (1988), pp. 70-85.

⁵² G.L. Frazier and R.D. Howell, "Business definition and performance", *Journal of Marketing*, Vol. 47, (1983), pp. 59-67.

⁵³ W. Goldsmith and D. Clutterbuck, *The Winning Streak: Britain's Top Companies Reveal their Formulas for Success*, Weidenfield and Nicolson, London, (1984), pp. 53-67.

⁵⁴ J. Saunders and V. Wong, "In search of excellence in the UK", *Journal of Marketing Management*, Vol. 1, (1985), pp. 119-137., G.I. Hooley and J.E. Lynch, "Marketing lesson's from the UK's high-flying companies", *Journal of Marketing Management*, Vol. 1, (1985), pp. 65-74.

⁵⁵ G.G. Dess and R.B. Robinson Jr. "Measuring organizational performance in the absence of objective measures", *Strategic Management Journal*, Vol. 5, (1984), pp. 265-273.

parison approach when making firm performance assessments for organizations sampled from a wide variety of industries.

This research is going to adopt the two types of performance measures (objective achievement and competitive performance, including financial performance measures like: return on assets, return on equity, return on sales end etc.) used by many researchers in different combinations.

Research Considerations For This Study

Aim of The Study – The following study is concentrated on researching the strategy processes employed by Georgian based manufacturing companies and their impact on performance. For this purpose four hypotheses have been formulated. Two of them tested whether or not there is a link between generic strategies and company performance, the third looked at the companies with a clearly defined business-level strategy and the degree of planning the strategy implementation process. The fourth checked the strategy implementation planning and company performance:

- **H1:** Companies with clear business-level strategies (low cost, differentiation, focused) will have superior performance to those being ambiguous (stuck in the middle);
- **H2:** Companies pursuing combined strategies (low cost and differentiation) are having better results in their performances than those concentrated on only one of them;
- **H3:** Companies with clearly defined business-level strategies (low-cost leadership, differentiation and focus) have better achievements in the degree of planning strategy implementation;
- **H4:** Companies focusing on strategy implementation planning have better results in their performances.

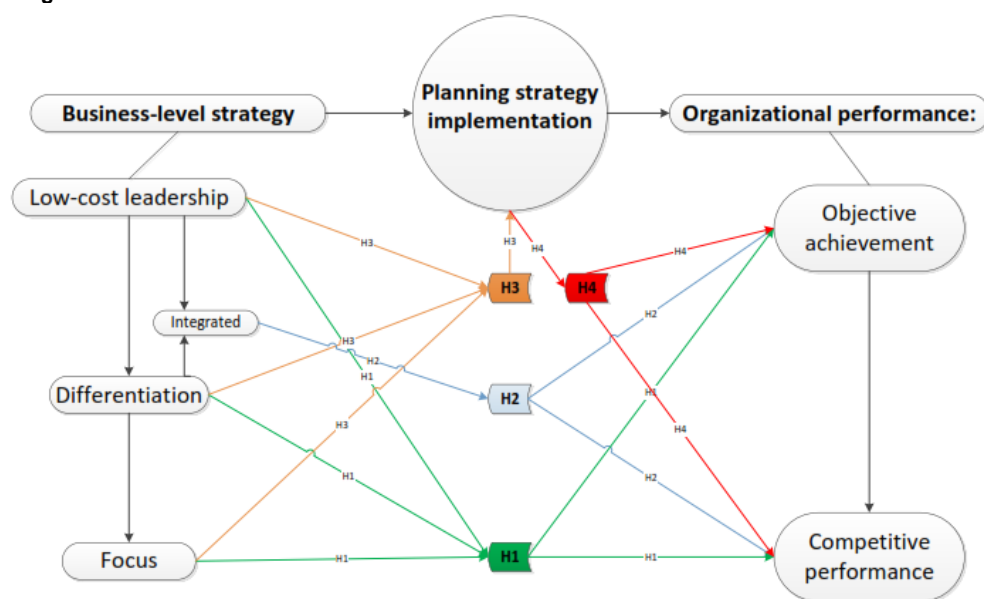
Research Strategy - The following research undertook a quantitative strategy through a deduction approach. Hypotheses were formulated from the existing knowledge which has been tested using the primary data collected from administering the questionnaire. A random sample of the manufacturing organizations that were selected for this study and the findings that were generalized. Due to the above stated reasons, this quantitative research strategy is the most appropriate for this study. The hypothesized relationships between the variables are tested using appropriate statistical techniques in order to assess and model the relationships.

Survey Instrument - The questionnaire was constructed to investigate the relationship between the generic strategies and the organizational performance. Already existing measures were employed to test the hypotheses mentioned in this chapter. The questionnaire was distributed accordingly and responses were collected through an internet survey tool. However, in some cases (when we did not receive a response) we made contact with the intended person and conducted the survey over the phone. Only, 12 cases required call intervention. The questionnaire was accompanied with a cover letter clearly explaining the reason for the research and anonymity was negotiated beforehand.

The survey instrument was divided into three sections. A strategy related question (cost related, differentiated and focus), strategy implementation and performance related (objective achievement and competitive performance). The survey tool contained 50 Likert scale questions. Taking into account the number of questions and the fact that top-level managers lack time, respondents were allowed sufficient time to fill it in.

Research Model - The model (Diagram 1) used in this study is intended to explore linkages between business-level strategy, the degree of planning strategy implementation and organizational performance. It is suggested that if companies are adopting any type of business-level strategies or a mixture of them, they are better off in their performances. Even more, the adoption of the aforementioned strategies helps the company to raise the quality of planning strategy implementation. Moreover, companies show superior performance if they focus on the quality of planning strategy implementation.

Diagram 1. Research model



Source: own study.

The constructs and measurement scales for this research and the studies where these were drawn are shown on the table 2.

There are 6 items measuring low-cost leadership strategy and nine items measuring differentiation strategy. Focus strategy is measured by eleven items. Respondents were asked to point out at what level they focused their attention on these activities during the past five years. Accordingly the strategy implementation construct responses were collected in the same pattern asking respondents about their concentration on the degree of the planning procedures over the past five years.

This research used the performance measures of Nandakumar, Ghobadian and O'Regan, which employs not only traditional financial measures, but is also focused on non-financial measures. This performance measurement includes two constructs: objective achievement and competitive performance.

Table 2. Constructs and measurement scales

Model Component	Construct	Source
Business-level strategy	Low-cost leadership Differentiation Focus	<ul style="list-style-type: none"> • Luo and Zhao (2004)⁵⁶ • Richard and Helms (2006)⁵⁷ • Nandakumar, Ghobadian and O'Regan (2011)⁵⁸
Strategy implementation	Degree of planning whilst implementing	<ul style="list-style-type: none"> • Hickson, Miller & Wilson (2003)⁵⁹ • Nandakumar, Ghobadian and O'Regan (2011) • Richard and Helms (2006)
Organizational performance	Objective fulfillment, Relative Competitive Performance	<ul style="list-style-type: none"> • Ramanujam, Venkatraman & Camillus(1988)⁶⁰ • Nandakumar, Ghobadian and O'Regan (2011) • Richard and Helms (2006)

Source: own study.

Sample Selection and Survey Execution - The research population of manufacturing companies for this research has been derived from the database of the National statistics office of Georgia. Companies were chosen from **D** (manufacturing) section with 1.5 million of yearly production and 50 or more employees. However, the initial number of companies in section D is 1750, the research population is estimated by the top 455 companies after the aforementioned characteristics. The preliminary research suggested that the majority of mid-sized, and particularly small companies, do not have or maintain any strategic process.

The questionnaire was sent to all 455 firms and responses were collected via an internet based survey instrument. 104 responses were obtained, which is 24 more than the sample size intended. The response rate for this survey was calculated according to **Sunders**⁶¹ estimated by 22.85 % which is acceptable for business researches.

⁵⁶ Y. Luo, H. Zhao 'Corporate link and competitive strategy in multinational enterprises: a perspective from subsidiaries seeking host market penetration'. Journal of International Management, 10(1), (2004), pp. 77-10.

⁵⁷ S. Richard, A. Marilyn and M. Helms, "Linking strategic practices and organizational performance to Porter's generic strategies", Business Process Management Journal, Vol. 12 Iss 4, (2006), pp. 433 - 454

⁵⁸ M.K. Nandakumar, A. Ghobadian and N. O'Regan, "Generic strategies and performance – evidence from manufacturing firms", International Journal of Productivity and Performance Management, Vol. 60 Iss 3, (2011), pp. 222-251.

⁵⁹ D.J. Hickson, S.J. Miller & D.C. Wilson, 'Planned or Prioritized? Two Options in Managing the Implementation of Strategic Decisions'. Journal of Management Studies, 40(7), (2003), pp.1803-1836.

⁶⁰ V. Ramanujam, N. Venkatraman & J.C. Camillus, Multi-Objective Assessment of Effectiveness of Strategie Planning: A Discriminant Analysis Approach. Academy of Management Journal, 29(2), (1988), pp. 347-37

⁶¹ M. Saunders, PH. Lewis, A. Thornhill, "Research methods for business students", 5 the ed. Prentice Hall, London, (2009), pp. 360-414.

Sampling Techniques - According to Salant and Dillman⁶² for business research studies the minimum sample sizes can be estimated at 95% confidence level and +/- 10% sampling error. Consequently, a simple random sample of 455 organizations was generated, which consists of 80 companies. Contact information about 455 manufacturing companies was inquired from the National statistics office of Georgia and was received within 7 working days.

Reliability and Validity of The Measures – Reliability assesses the degree of consistency between multiple measurements of the variable. Mainly, there are two methods used in empirical studies, which are: test-retest reliability and internal consistency. The internal consistency approach is the most commonly used. This approach assesses the consistency between the variables in a summed scale. One method of assessing the internal consistency is to test the correlation of each item to the summed scale score in order to check the correlation significance. Another method is a reliability coefficient or Chombach's alfa which checks the whole scale consistency⁶³. Chombach's alfa was used for this study to determine the reliability of the scales. According to many authors the lower limit of acceptability for Cronbach's alpha value is 0.7, in exploratory research 0.6 is also acceptable⁶⁴.

Table 3. Scales reliability

Questionnaire Component	Constructs	Reliability Coefficient (Cronbach's Alpha)	Cronbach's Alpha of Prior Studies
Business-level strategy	Low-cost leadership Differentiation Focus	<ul style="list-style-type: none"> • 0.911 • 0.912 • 0.605 	<ul style="list-style-type: none"> • 0.75 • 0.72 • 0.73
Strategy implementation	Degree of planning strategy implementation (planned and prioritized options)	<ul style="list-style-type: none"> • 0.928 	<ul style="list-style-type: none"> • 0.867 • 0.817
Performance	Objective achievement Competitive performance	<ul style="list-style-type: none"> • 0.908 • 0.924 	<ul style="list-style-type: none"> • 0.748 • 0.953

Source: own study.

Analytical Techniques - Data analysis techniques were adopted by this research are those previously used by other studies on strategy processes, those are: ANOVA and correlation analysis.

⁶² P. Salant, & D. Dillman, "How to Conduci Your Own Survey", John Wiley, New York (1994).

⁶³ L.J. Cronbach, 'Coefficient Alpha and the Internai Structure of Tests'. Psychometrika, 16, (1951), pp. 297-334.

⁶⁴ J.P. Robinson, P.R. Shaver and L.S. Wrightsman, Criteria for Scale Sélection and Evaluation. In: J.P. Robinson, P.R. Shanver and L.S. Wrightsman (eds.). Measures of Personality and Social Psychological Attitudes, Academy Press, San Diego, CA (1991).

Hypotheses Testing and Findings

In order for the following (H1, H2 and H3) hypotheses to be tested five new variables were created. According to the responses, companies were classified into following groups, namely: low-cost leadership, differentiation, focus, integrated and stuck in the middle.

The medians of cost-related, differentiation and focus variables are 3.8173, 3.8750 and 3.0769 respectively. The five strategic types were identified as follows:

If low-cost leadership > 3.8173, differentiation < 3.7788 and focus < 3.0769 - strategic type = 1 (Company adopts low-cost leadership Strategy);

If low-cost leadership < 3.8173, differentiation > 3.7788 and focus < 3.0769 - strategic type = 2 (Company adopts Differentiation Strategy);

If low-cost leadership < 3.8173, differentiation < 3.7788 and focus > 3.0769 - strategic type = 3 (Company adopts Focus Strategy);

If low-cost leadership > 3.8173 and differentiation > 3.7788 - strategic type = 4 (Company adopts Integrated Strategy);

If low-cost leadership < 3.8173 and differentiation < 3.7788 and focus < 3.0769 - strategic type = 5 (Company is Stuck-in-the-middle).

According to the aforementioned classification the following groups were identified:

- Number of companies adopting low-cost leadership Strategy - 31
- Number of companies adopting Differentiation Strategy - 21
- Number of companies adopting Focus Strategy - 5
- Number of companies adopting Integrated Strategy - 25
- Number of companies Stuck in the middle - 22.

H1: Companies with clear business-level strategies (low cost, differentiation, focused) will have superior performance to those being ambiguous (stuck in the middle.)

- Identifying variables: business-level strategy (low cost, differentiation, focused) is independent, and performance is dependent.
- Analytical technique: Analysis of Variance is going to be used for analysis

Test results - Analysis of variance was conducted with "Strategy" as the independent variable and performance as a dependent variable. ANOVA was conducted twice with two performance variables namely objective achievement and competitive performance as dependent variables. The results of this analysis are presented below.

First of all ANOVA was conducted with objective achievement as the dependent variable and the observed statistical power with a significance level (α) of 0.05 was 1.000. The Levene's test for homogeneity of variances did not produce significant results ($p = 0.000$). There was a statistically significant difference at the $p < 0.05$ level in the performance for the four groups: $F = 9.613$ and the effect size calculated using eta squared was 0.954. An eta square value above 0.14 is by convention interpreted as a large effect size (Green & Salkind, 2008)⁶⁵.

⁶⁵ S.B. Green & N.J. Salkind, "Using SPSS for Windows and Macintosh - Analyzing and Understanding Data", (6 ed.). New Jersey: Pearson Prentice Hall 2008.

The Post Hoc test results using the Bonferroni's method is shown in Table 4 indicate that organizations following one of the strategies namely cost-related, differentiation or integrated strategy perform better than those organizations which are "stuck in the middle". The Bonferroni's test indicates that the difference in performance is statistically significant ($P < 0.05$) between companies following low-cost leadership, differentiation or integrated strategies and "stuck in the middle" companies. However, Tukey's extension of the Fisher least significant difference (LSD) test (see Table 5) indicates that the difference between the performance levels of organizations having clear strategies (cost-related, differentiation, integrated strategies) and stuck in the middle companies are statistically significant at $P < 0.05$ level.

Table 4. Post Hoc Tests - Strategic Types and Objective Achievement (Bonferroni)

Multiple Comparisons						
Dependent Variable: Objective achievement Bonferroni						
(I) Strategy	(J) Strategy	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Low-cost leadership	differentiation	.0439	.04389	1.000	-.0821	.1699
	focus	.0477	.07483	1.000	-.1671	.2626
	integrated	.0637	.04174	1.000	-.0561	.1836
	stuck in the middle	1.6950 [*]	.04329	.000	1.5707	1.8193
Differentiation	Low-cost leadership	-.0439	.04389	1.000	-.1699	.0821
	focus	.0038	.07727	1.000	-.2181	.2257
	integrated	.0198	.04596	1.000	-.1122	.1518
	stuck in the middle	1.6511 [*]	.04737	.000	1.5151	1.7871
Focus	Low-cost leadership	-.0477	.07483	1.000	-.2626	.1671
	differentiation	-.0038	.07727	1.000	-.2257	.2181
	integrated	.0160	.07607	1.000	-.2024	.2344
	stuck in the middle	1.6473 [*]	.07693	.000	1.4264	1.8682
Integrated	Low-cost leadership	-.0637	.04174	1.000	-.1836	.0561
	differentiation	-.0198	.04596	1.000	-.1518	.1122
	focus	-.0160	.07607	1.000	-.2344	.2024
	stuck in the middle	1.6313 [*]	.04539	.000	1.5009	1.7616
Stuck in the middle	Low-cost leadership	-1.6950 [*]	.04329	.000	-1.8193	-1.5707
	differentiation	-1.6511 [*]	.04737	.000	-1.7871	-1.5151
	focus	-1.6473 [*]	.07693	.000	-1.8682	-1.4264
	integrated	-1.6313 [*]	.04539	.000	-1.7616	-1.5009
Based on observed means. The error term is Mean Square (Error) = .024.						
* The mean difference is significant at the 0.05 level.						

Source: own study.

Table 5. Post Hoc Tests - Strategic Types and Objective Achievement (Tukey - LSD)

Multiple Comparisons						
Dependent Variable: Objective_achievement LSD						
(I) Strategy	(J) Strategy	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Low-cost leadership	differentiation	.0439	.04389	.319	-.0431	.1310
	focus	.0477	.07483	.525	-.1007	.1962
	integrated	.0637	.04174	.130	-.0191	.1466
	stuck in the middle	1.6950 [*]	.04329	.000	1.6091	1.7809
Differentiation	Low-cost leadership	-.0439	.04389	.319	-.1310	.0431
	focus	.0038	.07727	.961	-.1495	.1571
	integrated	.0198	.04596	.667	-.0714	.1110
	stuck in the middle	1.6511 [*]	.04737	.000	1.5571	1.7451
Focus	Low-cost leadership	-.0477	.07483	.525	-.1962	.1007
	differentiation	-.0038	.07727	.961	-.1571	.1495
	integrated	.0160	.07607	.834	-.1349	.1669
	stuck in the middle	1.6473 [*]	.07693	.000	1.4946	1.7999
Integrated	Low-cost leadership	-.0637	.04174	.130	-.1466	.0191
	differentiation	-.0198	.04596	.667	-.1110	.0714
	focus	-.0160	.07607	.834	-.1669	.1349
	stuck in the middle	1.6313 [*]	.04539	.000	1.5412	1.7213
Stuck in the middle	Low-cost leadership	-1.6950 [*]	.04329	.000	-1.7809	-1.6091
	differentiation	-1.6511 [*]	.04737	.000	-1.7451	-1.5571
	focus	-1.6473 [*]	.07693	.000	-1.7999	-1.4946
	integrated	-1.6313 [*]	.04539	.000	-1.7213	-1.5412
Based on observed means. The error term is Mean Square(Error) = .024.						
* The mean difference is significant at the 0.05 level.						

Source: own study.

Table 6. Post Hoc Tests - Strategic Types and Objective Achievement (Tukey - HSD)

Multiple Comparisons						
Dependent Variable: Objective_achievement Tukey HSD						
(I) Strategy	(J) Strategy	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Low-cost leadership	differentiation	.0439	.04389	.854	-.0780	.1659
	focus	.0477	.07483	.968	-.1602	.2557
	integrated	.0637	.04174	.548	-.0522	.1797
	stuck in the middle	1.6950*	.04329	.000	1.5747	1.8153
Differentiation	Low-cost leadership	-.0439	.04389	.854	-.1659	.0780
	focus	.0038	.07727	1.000	-.2109	.2185
	integrated	.0198	.04596	.993	-.1079	.1475
	stuck in the middle	1.6511*	.04737	.000	1.5194	1.7827
Focus	Low-cost leadership	-.0477	.07483	.968	-.2557	.1602
	differentiation	-.0038	.07727	1.000	-.2185	.2109
	integrated	.0160	.07607	1.000	-.1954	.2274
	stuck in the middle	1.6473*	.07693	.000	1.4335	1.8610
Integrated	Low-cost leadership	-.0637	.04174	.548	-.1797	.0522
	differentiation	-.0198	.04596	.993	-.1475	.1079
	focus	-.0160	.07607	1.000	-.2274	.1954
	stuck in the middle	1.6313*	.04539	.000	1.5051	1.7574
Stuck in the middle	Low-cost leadership	-1.6950*	.04329	.000	-1.8153	-1.5747
	differentiation	-1.6511*	.04737	.000	-1.7827	-1.5194
	focus	-1.6473*	.07693	.000	-1.8610	-1.4335
	integrated	-1.6313*	.04539	.000	-1.7574	-1.5051
Based on observed means. The error term is Mean Square(Error) = .024.						
* The mean difference is significant at the 0.05 level.						

Source: own study.

Table 7. Post Hoc Tests - Strategic Types and Objective Achievement (Scheffe)

Multiple Comparisons						
Dependent Variable: Objective achievement Scheffe						
(I) Strategy	(J) Strategy	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Low-cost leadership	differentiation	.0439	.04389	.909	-.0938	.1817
	focus	.0477	.07483	.982	-.1872	.2827
	integrated	.0637	.04174	.676	-.0673	.1948
	stuck in the middle	1.6950*	.04329	.000	1.5591	1.8309
Differentiation	Low-cost leadership	-.0439	.04389	.909	-.1817	.0938
	focus	.0038	.07727	1.000	-.2387	.2464
	integrated	.0198	.04596	.996	-.1245	.1641
	stuck in the middle	1.6511*	.04737	.000	1.5024	1.7998
Focus	Low-cost leadership	-.0477	.07483	.982	-.2827	.1872
	differentiation	-.0038	.07727	1.000	-.2464	.2387
	integrated	.0160	.07607	1.000	-.2228	.2548
	stuck in the middle	1.6473*	.07693	.000	1.4058	1.8888
Integrated	Low-cost leadership	-.0637	.04174	.676	-.1948	.0673
	differentiation	-.0198	.04596	.996	-.1641	.1245
	focus	-.0160	.07607	1.000	-.2548	.2228
	stuck in the middle	1.6313*	.04539	.000	1.4888	1.7738
Stuck in the middle	Low-cost leadership	-1.6950*	.04329	.000	-1.8309	-1.5591
	differentiation	-1.6511*	.04737	.000	-1.7998	-1.5024
	focus	-1.6473*	.07693	.000	-1.8888	-1.4058
	integrated	-1.6313*	.04539	.000	-1.7738	-1.4888
Based on observed means. The error term is Mean Square(Error) = .024.						
* The mean difference is significant at the 0.05 level.						

Source: own study.

The results of ANOVA tests provide support for hypothesis H1.

H2: Companies pursuing combined strategies (low cost and differentiation) are having better results in their performances than those concentrated on only one of them.

- Identifying variables: low-cost leadership, differentiation, focused and integrated strategies are independent variables and performance is dependent.
- Analytical technique: Correlation analysis.

Test results – In order to analyze whether or not the adoption of an integrated strategy had better performance indicators, the correlation analysis was performed for each strategic type and performance. The results are shown in Table 8.

It can be observed from table 5 that the objective achievement and competitive performance indicators have correlation coefficient 1.000, which means that those two are directly proportional. Therefore, if any of the strategic types increase the objective achievement, it will also automatically increase the competitive performance. Table 8 also shows that the correlation coefficient of the integrated strategy towards objective achievement is 0.789, which is significantly higher compared with other strategic types taken alone (low-cost leadership 0.452, differentiation 0.529 and focus 0.107).

Table 8. Correlations between strategies and achievements

		Correlations					
		Low-cost leadership	Differentiation	Focused	Integrated	Objective achievement	Competitive performance
Low-cost leadership	Pearson Correlation	1	-.076	-.201*	.730**	.542**	.531**
	Sig. (2-tailed)		.441	.041	.000	.000	.000
	N	104	104	104	104	104	104
Differentiation	Pearson Correlation	-.076	1	.230*	.626**	.529**	.530**
	Sig. (2-tailed)	.441		.019	.000	.000	.000
	N	104	104	104	104	104	104
Focused	Pearson Correlation	-.201*	.230*	1	.000	.107	.104
	Sig. (2-tailed)	.041	.019		.996	.278	.292
	N	104	104	104	104	104	104
Integrated	Pearson Correlation	.730**	.626**	.000	1	.786**	.779**
	Sig. (2-tailed)	.000	.000	.996		.000	.000
	N	104	104	104	104	104	104
Objective achievement	Pearson Correlation	.542**	.529**	.107	.786**	1	.994**
	Sig. (2-tailed)	.000	.000	.278	.000		.000
	N	104	104	104	104	104	104
Competitive performance	Pearson Correlation	.531**	.530**	.104	.779**	.994**	1
	Sig. (2-tailed)	.000	.000	.292	.000	.000	
	N	104	104	104	104	104	104
* Correlation is significant at the 0.05 level (2-tailed).							
** Correlation is significant at the 0.01 level (2-tailed).							

Source: own study.

The results of the correlation analysis provide support for hypothesis H2.

H3: Companies with clearly defined business-level strategies (low-cost leadership, differentiation and focus) have better achievements in the degree of planning strategy implementation.

- Identifying variables: low-cost leadership, differentiation and focused strategies are independent variables and performance is dependent.
- Analytical technique: Correlation analysis.

Test results – In order to analyze whether or not companies with clearly defined any of business-level strategies (low-cost leadership, differentiation and focus) have better achievements in the degree of planning strategy implementation, the correlation analysis was performed for each strategic type and the de-

gree of planning strategy implementation. The data was refined and the stuck in the middle companies were eliminated from the analysis. The results are shown in table 9.

Table 9. Correlations between strategies and implementation (Defined strategies)

		Correlations				
		Imple- mentation	Low-cost leadership	Differentia- tion	Focu- sed	Integrated
Implemen- tation	Pearson Correlation	1	.024	-.030	-.169	-.007
	Sig. (2-tailed)		.830	.788	.129	.953
	N	82	82	82	82	82
Low-cost leadership	Pearson Correlation	.024	1	-.519**	-.347**	.552**
	Sig. (2-tailed)	.830		.000	.001	.000
	N	82	82	82	82	82
Differentia- tion	Pearson Correlation	-.030	-.519**	1	.199	.426**
	Sig. (2-tailed)	.788	.000		.073	.000
	N	82	82	82	82	82
Focused	Pearson Correlation	-.169	-.347**	.199	1	-.173
	Sig. (2-tailed)	.129	.001	.073		.120
	N	82	82	82	82	82
Integrated	Pearson Correlation	-.007	.552**	.426**	-.173	1
	Sig. (2-tailed)	.953	.000	.000	.120	
	N	82	82	82	82	82

** Correlation is significant at the 0.01 level (2-tailed).

Source: own study.

The table shows that the correlation coefficient between a clearly defined strategic type and strategy implementation is significantly low. This means that the degree of planning strategy implementation is not influenced by the strategic type adopted by the companies (there must be other factors). In the next step of the correlation analysis, only stuck in the middle companies were involved. The results are presented in table 10.

As we can see from the table above the correlation coefficient between stuck in the middle and strategy implementation is significantly big. This means "stuck in the middle" status of companies lead towards an unsuccessful strategy implementation.

The results of correlation analysis provide partial support for hypothesis H3. In other words, companies with clearly defined business strategies have high degree of the planning of strategy implementation, however, it is due to other factors but strategic type. On the other hand the low level of the planning of strategy implementation in the "stuck in the middle" companies is due to the absence of the strategic type.

Table 10. Correlations between strategies and implementation (Stuck in the middle)

		Correlations				
		Imple- mentation	Low-cost leadership	Differen- tiation	Focu- sed	Integrated
Implemen- tation	Pearson Correlation	1	.963**	.775**	.980**	.928**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	22	22	22	22	22
Low-cost leaders- hip	Pearson Correlation	.963**	1	.856**	.892**	.985**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	22	22	22	22	22
Differen- tiation	Pearson Correlation	.775**	.856**	1	.654**	.933**
	Sig. (2-tailed)	.000	.000		.001	.000
	N	22	22	22	22	22
Focused	Pearson Correlation	.980**	.892**	.654**	1	.837**
	Sig. (2-tailed)	.000	.000	.001		.000
	N	22	22	22	22	22
Integrated	Pearson Correlation	.928**	.985**	.933**	.837**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	22	22	22	22	22

** Correlation is significant at the 0.01 level (2-tailed).

Source: own study.

H4: Companies focusing on strategy implementation planning have better results in their performances.

- Identifying variables: planning strategy implementation is independent variable and performance is dependent.
- Analytical technique: Correlation analysis.

Test results – In order to analyze whether or not Companies focusing on strategy implementation planning have better results in their performances, the correlation analysis was performed between planning strategy implementation and objective achievement. The data was refined and the stuck in the middle companies were eliminated from the analysis. The results are shown in table 11.

Table 11. Correlations between Objective achievements and Implementation (Defined strategies)

		Correlations	
		Implementation	Objective achievement
Implementation	Pearson Correlation	1	.607**
	Sig. (2-tailed)		.000
	N	82	82
Objective achievement	Pearson Correlation	.607**	1
	Sig. (2-tailed)	.000	
	N	82	82

** Correlation is significant at the 0.01 level (2-tailed).

Source: own study.

From table 8 we can clearly see that the correlation coefficient between strategy implementation and objective fulfillment is 0.607. This means the degree of the planning strategy implementation reflects in a better performance. In the next step of the correlation analysis only stuck in the middle companies were involved. The results are presented in Table 12.

Table 12. Correlations between Objective achievements and Implementation (Stuck in the middle)

Correlations			
		Implementation	Objective achievement
Implementation	Pearson Correlation	1	.914**
	Sig. (2-tailed)		.000
	N	22	22
Objective achievement	Pearson Correlation	.914**	1
	Sig. (2-tailed)	.000	
	N	22	22
** Correlation is significant at the 0.01 level (2-tailed).			

Source: own study.

The test results show that in the case of “stuck in the middle” companies the correlation is significantly high 0.914. This means that unsuccessful performance is due to not having a clear business strategy. Hence, the results of the analysis provide support for hypothesis H4.

Conclusions

The results of hypothesis test provide support for H1 (ANOVA). In other words, companies with clear business-level strategies such as low-cost leadership, differentiation and focused had superior performance compared with “stuck in the middle” companies. For the second hypothesis H2 combined (low-cost readership) strategies were compared with low-cost leadership, differentiation and focus strategies and analyzed towards organizational performance. The correlation analysis indicated that combined strategies had higher correlation coefficient than any other strategic type taken alone. The results of correlation analysis provide partial support for hypothesis H3. In other words, companies with clearly defined business strategies have a high degree of the planning of strategy implementation, however, it is due to other factors but the strategic type. On the other hand the low level of the planning of strategy implementation in the “stuck in the middle” companies is due to the absence of the strategic type.

As to hypothesis H4 the correlation coefficient between strategy implementation and objective fulfillment is 0.607. This means the degree of the planning of strategy implementation reflects in a better performance. The test results show that in the case of “stuck in the middle” companies, the correlation is significantly high 0.914. This means that unsuccessful performance is due to not having a clear business strategy. Hence, the results of the analysis provide support for hypothesis H4.

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